



Department of Justice

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**CALIFORNIA SECURITIES BROKER CHARGED WITH SECURITIES AND WIRE
FRAUD FOR COLLUSIVE BIDDING ON MUNICIPAL BOND RESTRUCTURING**

WASHINGTON, D.C. -- In the first prosecution of its kind, the Justice Department's Antitrust Division today brought criminal securities fraud charges against a California securities brokerage firm for using fictitious noncompetitive bids and other misrepresentations during the restructuring of a Tampa, Florida, municipal bond escrow account.

The criminal securities fraud charge, along with a wire fraud charge, were filed in U.S. District Court in San Francisco against Municipal Government Investment Associates Inc., a San Francisco brokerage firm.

In a two-count criminal case, the government accused the firm of submitting false and collusive bids and bid certification letters during the city's sale of forward supply contracts. A forward supply contract is a specialized securities investment in which the purchaser buys the right to invest the proceeds of U.S. Treasury notes as they mature in the city's escrow accounts.

When a city or other governmental entity refinances debt, such as tax-exempt bonds issued to build water treatment plants or jails, it is required to create an escrow account which contains U.S. Treasury securities purchased with the proceeds raised by issuing new, lower interest rate municipal bonds. The

escrow account is used to continue to pay off the principal and interest on the original bonds as those payments become due.

In this case, Municipal Government Investment Associates, Inc. assisted Tampa in restructuring more than \$138 million in municipal bonds between September 1992 and April 1994 and allegedly misrepresented to city representatives that the bidding for the forward supply contracts was independent and competitive.

"Contrary to its misrepresentations, Municipal Government Investment Associates and its co-conspirators created and arranged collusive, false and inaccurate bids," said Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division. She said the firm fraudulently failed to disclose profits of more than \$1.2 million it made from the sale of the contracts.

Bingaman also said the Antitrust Division is committed to using all appropriate legal resources to combat collusion and other manipulations in any bidding process no matter how complex the industry.

Bingaman said the charges resulted from an ongoing federal grand jury investigation into collusive bidding and fraud in the municipal bond escrow restructuring business. The investigation, which is being conducted by the Antitrust Division's San Francisco Field Office with the assistance of the Federal Bureau of Investigation's offices in San Francisco and Salt Lake City, Utah, and the U.S. Securities and Exchange Commission, will continue.

The maximum penalty for a corporation convicted of a violation of the securities fraud statute is a fine of \$2.5

million, twice the pecuniary gain the corporation derived from the crime, or twice the pecuniary loss suffered by the victims of the crime, whichever is greatest.

The maximum penalty for a corporation convicted of violating the wire fraud statute is a fine of \$1 million, twice the pecuniary gain the corporation derived from the crime, or twice the pecuniary loss suffered by the victims of the crime, whichever is greatest.

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